4. Segment reporting

The merger between the Impregilo Group and the Salini Group also involved the concentration of the Group's industrial activities in its core business involving the construction of complex large-scale infrastructures with the gradual disposal of assets no longer considered strategic, in addition to a comprehensive review of the organizational and business management processes.

In line with the information provided above, therefore, the segment reporting is presented according to macro-geographical regions, based on the management review principles adopted by top management, for the two main segments: 'Italy' and 'Abroad'.

Costs relating to activities which are centrally operated at the parent Salini-Impregilo S.p.A., called "Corporate" costs, are attributed to the Italy sector and relate to:

- coordination, control and strategic planning of the Group's activities;
- centralized planning and management of human and financial resources;
- compliance with administrative, tax, legal/corporate and corporate communication requirements;
- administrative, tax and managerial support for Group companies.

In the first half of 2015 these costs totaled € 61.0 million (€ 75.1 million in the first half of 2014).

Management measures the segments' results by considering their operating profit (EBIT). The assessment of these results complies with the accounting policies applied to the Group's consolidated financial statements.

The segments are measured based on net invested capital.

Disclosures on the Group's performance for the period, by operating segment, are set out in the second part of the Directors' Report. The consolidated financial statement amounts, at June 30, 2015, are summarized below by geographical area.

Consolidated income statement by geographical segment

H1 2015

(Amounts in €/000)	Italy (*)	Abroad	Eliminations and unallocated items	Total
Operating revenue	341,325	1,990,028	(195,262)	2,136,091
Other revenue	42,827	(29,757)	50,328	63,398
Total revenue	**384,152**	**1,960,271**	**(144,934)**	**2,199,489**
Costs				
Costs of production	(286,103)	(1,489,698)	118,461	(1,657,340)
Personnel expense	(83,953)	(179,174)	3,858	(259,269)
Other operating costs	(26,129)	(31,087)	753	(56,463)
Provisions and impairment losses	(2,243)	4,880	252	2,889
Total costs	**(398,428)**	**(1,695,079)**	**123,324**	**(1,970,184)**
Gross operating profit/loss (EBITDA)	**(14,276)**	**265,192**	**(21,610)**	**229,304**
EBITDA %	*-3.7%*	*13.5%*		*10.4%*
Amortization and depreciation	(23,157)	(78,568)	953	(100,771)
Operating profit and loss (EBIT)	**(37,433)**	**186,624**	**(20,657)**	**128,533**
Return on Sales				*5.8%*
Financing income (costs) and gains (losses) on investments			(21,350)	(21,350)
Earnings before taxes				**107,185**
Income taxes			(35,256)	(35,256)
Profit from continuing operations				**71,929**
Loss from discontinued operations	(4,164)	(7,095)	(372)	(11,632)
Profit for the period				**60,298**

(*) The operating profit includes costs of the central structures and other overheads totalling € 61.0 million

Consolidated income statement by geographical segment

H1 2014 (§)

(Amounts in €/000)	Italy (*)	Abroad	Eliminations and unallocated items	Total
Operating revenue	277,131	1,832,456	(11,476)	2,098,111
Other revenue	4,686	69,581	(35,739)	38,527
Total revenue	**281,816**	**1,902,038**	**(47,216)**	**2,136,638**
Costs				
Costs of production	(254,923)	(1,432,914)	52,754	(1,635,083)
Personnel expense	(150,864)	(92,098)	255	(242,707)
Other operating costs	(53,823)	(5,432)	16	(59,240)
Provisions and impairment losses	(3,035)	785	-	(2,250)
Total costs	**(462,645)**	**(1,529,659)**	**53,025**	**(1,939,280)**
Gross operating profit/loss (EBITDA)	**(180,829)**	**372,379**	**5,809**	**197,358**
EBITDA %	*-64.2%*	*19.6%*		*9.2%*
Amortization and depreciation	(21,697)	(61,895)	367	(83,225)
Operating profit/loss (EBIT)	**(202,526)**	**310,484**	**6,176**	**114,133**
Return on Sales				**5.3%**
Financing income (costs) and gains (losses) on investments			(88,952)	(88,952)
Earnings before taxes				**25,181**
Income taxes			(9,569)	(9,569)
Profit from continuing operations				**15,612**
Profit (loss) from discontinued operations	(7,560)	71,309	(2,865)	60,883
Profit for the period				**76,495**

(*) The operating profit includes costs of the central structures and other overheads totalling € 75.1 million

(§) The financial data of the first-half of 2014 has been restated in accordance with the IFRS 5 according to the new transfer perimeter of the Todini Costruzioni Generali Group. In addition, the restatement concerned the adoption of the IFRS 10 and 11 standards with the same procedure followed for the consolidated Annual report as at December 30, 2014.

Consolidated statement of financial position by geographical segment as at June 30, 2015

(Amounts in €/000)	Italy	Abroad	Eliminations and unallocated items	Total
Non-current assets	647,545	487,547	(211,797)	**923,296**
Assets held for sale, net	36,366	16,315	14,663	**67,345**
Provisions for risks	(99,329)	(19,637)	10,453	**(108,513)**
Post-employment benefits and employee benefits	(13,946)	(9,504)	219	**(23,231)**
Net tax assets (liabilities)	95,769	(21,770)	104,958	**178,957**
Working capital	1,184,060	(330,537)	(263,234)	**590,289**
Net invested capital	**1,850,465**	**122,413**	**(344,736)**	1,628,143
Equity				**1,249,497**
Net financial position				**378,645**
Total financial resources				1,628,143

Consolidated statement of financial position as at December 31, 2014 by geographic segment

(Amounts in €/000)	Italy	Abroad	Eliminations and unallocated items	Total
Non-current assets	585,553	455,594	(208,791)	**832,356**
Assets held for sale, net	160,329	(10,676)	(65,530)	**84,123**
Provisions for risks	(145,874)	(11,842)	60,189	**(97,527)**
Post-employment benefits and employee benefits	(13,942)	(9,378)		**(23,320)**
Net tax assets (liabilities)	83,028	(43,637)	109,307	**148,698**
Working capital	923,445	(519,458)	(72,676)	**331,311**
Net invested capital	**1,592,539**	**(139,397)**	**(177,501)**	1,275,641
Equity				**1,186,416**
Net financial position				**89,225**
Total financial resources				1,275,641

<u>Impregilo Lidco Lybia General Contracting Company (Libya)</u>

Salini Impregilo S.p.A. is present on the territory through a stable organization and a subsidiary Impregilo Lidco Libya General Contracting Company (Impregilo Lidco), active in Libya since 2009, and which is a mixed company established by Salini Impregilo with a 60% interest. A local partner owns the remaining 40%.
With regard to the orders that are dealt with by the stable organization there are no significant existing risks as activities have not yet been started, except for the Koufra Airport. Nevertheless, for this last order, the overall details are not important having already received the advance payment for the contract in 2013. Moreover, the Group is present in the project "Libyan coastal highway", which as at the date of this Financial report has not yet been opened to traffic.
With reference to Impregilo Lidco, we would like to mention that the subsidiary had acquired important contracts for the realization of:

- Infrastructure Works in the in the cities of Tripoli and Misuratah;
- University campuses in Misuratah, Tarhunah and Zliten;
- Tripoli's new "Conference Hall."

With regard to the political upheaval in Libya from the end of February 2011 to the date of this Report, it is worth mentioning that the subsidiary was always able to operate in accordance with contractual terms and that the investments made up until the deterioration of the country's political situation were fully covered by contractually stipulated advances.

It is also clear that the subsidiary will face significant challenges in developing the projects in accordance with the schedule planned before the crisis erupted. Accordingly, Impregilo excluded the possibility of a new phase of significant development for the activities of the Impregilo Lidco subsidiary over the near term.

The procedures necessary to restart industrial activities that the Group started in 2012, have been suspended due to fresh outbreak of conflicts in the last part of 2014. In 2012, the Group again obtained access to more accurate information about the financial and operating items that have an impact on its consolidated financial statements. Consequently, in the consolidated statement of financial position, income statement and statement of cash flows of the Impregilo Group at December 31, 2012 the asset, liability and income statement items attributable to the Libyan subsidiary were restated in accordance with Group principles, based on the evidence developed during the period and the support of assessments provided by the independent counsel that is assisting the subsidiary. Compared with the situation reported in Impregilo's 2011 consolidated financial statements, which reflected the latest available information as at March 31, 2011, the value adjustments were determined to be € 47.9 million. These charges, together with the losses accumulated by the company, are included in the contract work in progress for a total amount of € 66.6 million because, as specificied in detail hereafter, they are deemed recoverable. In addition, in the first part of 2013, a physical inventory was taken of plant, machinery and supplies at the main work sites registered in the financial statements, with a total carrying amount as at June 30, 2015, of 23.3 million Libyan dinars (equivalent to € 15,1), but not all inventory sites could be accessed for security reasons. Taking also into account the fact that costs that may arise following completion of the inventory taking procedures would be covered by customers, consistent with force-majeure contractual terms, as determined by the counsel that is assisting the subsidiary, no significant risks are deemed to exist in this context with regard to the recovery of the net assets attributable to the subsidiary, thanks in part to actions and claims filed with the customers contractually or otherwise.

During the first months of 2014 we managed to reach an important agreement with the customer, in which both parties acknowledged the intent to carry on their industrial activities as soon as the conditions to do so were safe again, with the concomitant total safeguarding of the claims for damages advanced by the subsidiary, consequently to causes of force majeure, contractually regulated and for which the activities were suspended.

To this day, even in consideration of the new disorders that have manifested during the period subject to comment in various areas of the Country, the socio-political situation remains extremely complex and characterized by significant critical situations.

Salini Impregilo is carefully following the Company's situation and one cannot exclude the possibility that events not currently foreseeable and requiring an update of the existing evaluations carried out so far, may arise in the future.